APPENDIX 42

Wyckoff Heights Medical Center

Consolidated Financial Statements

Year Ended December 31, 2007

Wyckoff Heights Medical Center

Consolidated Financial Statements

Year Ended December 31, 2007

Wyckoff Heights Medical Center

Contents

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Independent Auditors' Report

To the Board of Trustees
Wyckoff Heights Medical Center
Queens, New York

We have audited the accompanying consolidated statement of financial position of Wyckoff Heights Medical Center (the "Medical Center") as of December 31, 2007, and the related consolidated statements of operations, changes in net asset deficiency and cash flows for the year then ended. These financial statements are the responsibility of the Medical Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wyckoff Heights Medical Center as of December 31, 2007, and the results of its operations, changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Medical Center will continue as a going concern. As more fully described in Note 1, the Medical Center had a working capital deficiency and a significant net asset deficiency. These conditions raise substantial doubt about the Medical Center's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1(b). The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of liabilities that may result from the outcome of this uncertainty.

Information for the year ended December 31, 2006 is presented for comparative purposes only and was extracted from the financial statements of the Medical Center for that year, on which we expressed an unqualified opinion, dated January 28, 2008.

BDO Seidman, LLP

July 31, 2008

Wyckoff Heights Medical Center

Consolidated Statement of Financial Position
(in thousands)
(with comparative totals for 2006)

December 31,	2007	2006
Assets		
Current:		
Cash and cash equivalents (Note 1)	$ 7,120	$ 997
Investments at fair value (Notes 1 and 3)	130	124
Accounts receivable (Note 1):		
Patient care, less allowance for uncollectibles (2007 - $121,706; 2006 - $95,785)	40,137	45,218
Other receivables – net	4,109	5,116
Due from third-party payors (Note 2)	11,544	5,263
Inventories and other current assets (Note 1)	7,238	5,654
Due from related organizations (Note 9)	3,937	2,818
Assets limited as to use – current portion (Note 3)	11,050	10,926
Total current assets	85,265	76,116
Assets limited as to use:		
Under bond indenture (Notes 3 and 5)	9,711	10,155
Under malpractice agreement (Notes 3 and 8)	49	47
Total assets limited as to use	9,760	10,202
Deferred financing fees, less accumulated amortization (2007 - $1,012; 2006 - $926) (Note 1)	651	737
Property, buildings and equipment, net (Notes 1, 4 and 5)	83,772	94,420
	$179,448	$181,475
Liabilities and Net Asset Deficiency		
Current liabilities:		
Accounts payable and accrued expenses	$ 42,064	$ 46,929
Accrued salaries and related liabilities (Note 7)	14,837	17,392
Due to third-party payors (Note 2)	5,958	2,619
Accrued interest payable	2,151	2,248
Current portion of long-term debt (Note 5)	9,633	8,115
Current portion of estimated professional liabilities (Note 8)	4,169	3,444
Due to related organizations (Note 9)	11,215	6,198
Deferred revenue	8,212	-
Total current liabilities	98,239	86,945
Due to third-party payors, less current portion (Note 2)	16,617	15,343
Long-term debt, less current portion (Note 5)	108,705	115,012
Estimated professional liabilities, less current portion (Note 8)	17,798	13,775
Total liabilities	241,359	231,075
Commitments and contingencies (Notes 1, 2, 3, 4, 5, 6, 7, 8, 11 and 12)		
Net asset deficiency – unrestricted (Note 1)	(61,911)	(49,600)
	$179,448	181,475

See accompanying notes to consolidated financial statements.

Wyckoff Heights Medical Center

Consolidated Statement of Operations
(in thousands)
(with comparative totals for 2006)

Year ended December 31,	2007	2006
Operating revenue:		
Net patient service revenue (Note 2)	$262,196	$242,972
Other revenue (Note 10)	31,031	26,697
Total operating revenue	293,227	269,669
Operating expenses:		
Salaries and wages	124,481	128,748
Employee benefits	32,384	34,207
Supplies and expenses	99,778	70,191
Provision for bad debts	28,234	16,266
Interest and amortization of financing fees	7,158	12,333
Depreciation and leasehold improvement amortization	13,697	14,332
Total operating expenses	305,732	276,077
Deficiency of revenue over expenses before other changes in unrestricted net assets	(12,505)	(6,408)
Other changes in unrestricted net assets:		
Transfer of net assets to BQHC (Note 1)	194	-
Transfer of net assets for captive insurance funding (Note 9)	-	(275)
Prior period adjustments	-	(8)
Change in unrestricted net assets	$ (12,311)	$ (6,691)

See accompanying notes to consolidated financial statements.

Wyckoff Heights Medical Center

Consolidated Statement of Changes in Net Asset Deficiency
(in thousands)
(with comparative totals for 2006)

Years ended December 31, 2007 and 2006	
Net asset deficiency, December 31, 2005	**$(42,909)**
Change in unrestricted net assets	(6,691)
Net asset deficiency, December 31, 2006	**(49,600)**
Change in unrestricted net assets	(12,311)
Net asset deficiency, December 31, 2007	**$(61,911)**

See accompanying notes to consolidated financial statements.

Wyckoff Heights Medical Center

Consolidated Statement of Cash Flows
(in thousands)
(with comparative totals for 2006)

Year ended December 31,	2007	2006
Cash flows from operating activities:		
Change in unrestricted net assets	$(12,311)	$ (6,691)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation and leasehold improvements amortization	13,697	14,332
Amortization of deferred financing fees	86	90
Provision for bad debts	28,234	16,266
Impairment of receivable (Note 9(f))	14,144	-
Transfer to System, Inc.	-	275
Changes in operating assets and liabilities:		
Accounts receivable	(23,153)	(36,214)
Other receivables – net	1,007	(560)
Due from third-party payors	(6,281)	3,057
Inventories and other current assets	(1,584)	(1,300)
Due from related organizations	(15,263)	(1,504)
Accounts payable and accrued expenses	(4,865)	10,228
Accrued salaries and related liabilities	(2,555)	3,502
Accrued interest payable	(97)	(92)
Estimated professional liabilities	4,748	1,771
Due to related organizations	5,017	4,122
Due to third parties	4,613	(1,689)
Deferred revenue	8,212	-
Net cash provided by operating activities	13,649	5,593
Cash flows from investing activities:		
Acquisitions of property, buildings and equipment	(3,049)	(7,463)
Change in investments, net	(6)	1,102
Change in assets limited as to use	318	5,654
Net cash used in investing activities	(2,737)	(707)
Cash flows from financing activities:		
Repayments of long-term debt	(4,789)	(7,631)
Transfer to New York-Presbyterian Healthcare System, Inc.	-	(275)
Net cash used in financing activities	(4,789)	(7,906)
Net increase (decrease) in cash and cash equivalents	6,123	(3,020)
Cash and cash equivalents, beginning of year	997	4,017
Cash and cash equivalents, end of year	$ 7,120	$ 997
Supplemental schedules of noncash investing and financing activities:		
Fixed assets acquired under capitalized lease obligations	$ 189	$ 275
Cash paid for interest	4,890	6,117

See accompanying notes to consolidated financial statements.

Wyckoff Heights Medical Center

Notes to Consolidated Financial Statements

1. Organization and Significant Accounting Policies

(a) Organization

Wyckoff Heights Medical Center (the "Medical Center") is a tax-exempt organization, which was incorporated under New York State not-for-profit corporation law for the purpose of providing health care services primarily to residents of the Brooklyn and Queens, New York areas. The Medical Center through February 16, 2006 was a membership corporation, whose members were selected by New York-Presbyterian Healthcare System, Inc. ("System, Inc."), a tax-exempt organization whose members are selected by New York-Presbyterian Foundation, Inc.

Effective September 14, 2006, the Medical Center became a member of the newly created Brooklyn-Queens Health Care, Inc. ("BQHC"), formerly known as Wyckoff Heights Medical Center Properties, whose only other member is Caritas Health Care, Inc. ("Caritas"). The assets and related liabilities (with a net asset deficiency of approximately $194) were transferred to BQHC from Wyckoff Heights Medical Center Properties. Caritas purchased two other hospitals effective January 1, 2007.

The following is a summary of significant accounting policies of the Medical Center:

Principles of Consolidation

The Medical Center consolidates the operations of its tax-exempt and taxable subsidiaries which are as follows:

Tax-exempt	Taxable
• Stockholm Obstetrics and Gynecological Services, P.C.	• Wyckoff Emergency Medicine Services, P.C.
• Wyckoff Medical Services, P.C.	• Wyckoff Practice Management Corporation
• Wyckoff Heights Dental Services, P.C.	• Wyckoff Family Medical Services, P.C.
• Wyckoff Orthopedic, P.C.	• Wyckoff Imaging Services, P.C.
• Wyckoff Anesthesia Medical Services, P.C.	• Preferred Health Ventures Pharmacy (inactive)
• Wyckoff Heights Medical Center Foundation	• Preferred Health Ventures Placement (inactive)
• Wyckoff Neonatal Services, P.C.	• Preferred Health Ventures Properties (inactive)

The consolidated financial statements include the accounts of the Medical Center and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) *Going Concern*

At December 31, 2007, the Medical Center had a working capital deficiency of approximately $13 million and a net asset deficiency of approximately $62 million. Management continues to identify cost reductions and is developing strategies to improve the Medical Center's financial condition. However, there can be no assurance that management's plans will be sufficient or timely enough to generate sufficient cash to meet its operating needs and achieve financial stability for the Medical Center. These uncertainties raise substantial doubt about the Medical Center's ability to continue as a going concern.

(c) *Significant Accounting Policies*

The following is a summary of the Medical Center's significant accounting policies:

(i) *Basis of Financial Statement Presentation*

The accompanying consolidated financial statements are prepared on the accrual basis of accounting.

(ii) *Cash and Cash Equivalents*

The Medical Center classifies as cash equivalents all highly liquid investments with maturities of three months or less when purchased which are not deemed to be assets limited as to use or part of the marketable securities portfolio.

(iii) Receivables for Patient Care/Allowances for Doubtful Accounts

Patient accounts receivable result from the health services provided by the Medical Center. Additions to the allowance for doubtful accounts result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts. The amount of the allowance for doubtful accounts is based upon management's assessments of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage and other collection indicators.

(iv) Inventories

Inventories, which are determined on the first-in, first-out method, are stated at cost, which approximates market.

(v) Assets Limited as to Use

Assets so classified represent assets whose use is restricted for specific purposes under internal designation or terms of agreements. Amounts required to meet current liabilities are reported as current assets.

(vi) *Property, Buildings and Equipment*

Property, buildings and equipment purchased are recorded at cost and those acquired by gifts and bequests are recorded at appraised or market value established at the date of contribution. Assets acquired under capitalized leases are recorded at the present value of the future minimum lease payments at the inception of the lease. Depreciation is computed using the straight-line method over the estimated useful lives of all assets. Equipment acquired through capital lease obligations is amortized using the straight-line method over the lesser of the estimated useful life of the asset or lease term. The carrying amounts of the assets and the related accumulated depreciation are removed from the accounts when such assets are disposed of, and any resulting gain or loss is included in operations. The estimated useful lives of the assets are as follows:

Leasehold improvements, buildings and improvements	30-40 years
Movable equipment	7-10 years
Fixed equipment	7-10 years

(vii) *Deferred Financing Fees*

Deferred financing fees are amortized using the effective interest method over the term that the related debt is expected to be outstanding.

(viii) Net Patient Service Revenue

The Medical Center has agreements with its third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounts from charges and per diem payments. Net patient service revenue is reported at estimated net realizable amounts due from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are provided and adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

(ix) Functional Expenses

The Medical Center's program services consist of providing health care and related services to residents within its geographic location. Program expenses related to providing these services are as follows:

Year ended December 31,	2007	2006
	(in thousands)	
Health care and related services	$250,328	$237,004
Program support and general services	55,404	39,073
	$305,732	$276,077

(x) *Investments at fair value*

Investments in marketable securities are measured at fair value in the consolidated statement of financial position. Investment income and realized gains on investment transactions are included in excess of revenue over expenses in the consolidated statements of operations and changes in net asset deficiency. Unless unrealized losses are deemed to be other than temporary, changes in fair value, unrealized gains and losses on investments are excluded from excess of revenue over expenses and included as other changes to unrestricted net asset deficiency. The fair value of investments is determined by reference to quoted market prices.

(xi) *Charity Care*

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Since the Medical Center does not anticipate collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of charity care provided at established rates aggregated approximately $9.4 million and $13.7 million for the years ended December 31, 2007 and 2006, respectively.

(xii) *Classification of Net Asset Deficiency*

The Medical Center's net asset deficiency is classified as unrestricted. Unrestricted net assets are not externally restricted for identified purposes by donors or grantors.

(xiii) *Use of Estimates*

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates.

(xiv) *Performance Indicator*

The consolidated statements of operations and changes in net asset deficiency include excess deficiency of revenue over expenses as the performance indicator. Consistent with industry practice, transfers to affiliates and the net change in unrealized gains is excluded from the performance indicator.

(xv) *Tax Status*

The Medical Center and certain subsidiaries were incorporated in the State of New York and are exempt from Federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and therefore have made no provision for income taxes in the accompanying financial statements. There was no unrelated business income for the years ended December 31, 2007 and 2006. Taxable subsidiaries' operations are not sufficient for the calculation of a tax liability.

(xvi) Accounting for Conditional Asset Retirement Obligations

Financial Accounting Standards Board ("FASB") Interpretation No. 47 ("FIN 47"), "Accounting for Conditional Asset Retirement Obligations", requires the current recognition of a liability when a legal obligation exists to perform an asset retirement obligation in which the timing or method of settlement are conditional on a future event that may or may not be under the control of the entity. The New York State Department of Labor Industrial Code Rule 56 requires the controlled removal or encapsulation of asbestos by a licensed contractor in commercial and public buildings, including the renovation and partial or complete demolition activities, such legislation being applicable to the Medical Center.

FIN No. 47 requires an asset retirement obligation ("ARO") liability be recognized at its net present value with a corresponding increase to the carrying amount of the long-lived asset to which the ARO relates. The ARO liability is accreted through periodic charges to depreciation expense. The initially capitalized ARO long-lived asset cost is depreciated over the useful life of the related long-lived asset.

Management of the Medical Center has not identified any costs related to an ARO.

(xvii) Reclassifications

Certain prior year balances have been reclassified to be consistent with the current year financial statement presentation.

2. Net Patient Service Revenue

(a) Non-Medicare Reimbursement

The New York Health Care Reform Act of 1996 (the "Act"), as periodically updated, governs non-Medicare payments to hospitals in New York State. The Act is subject to periodic renewal and currently is in effect through December 31, 2008. Under the Act, hospitals and all non-Medicare payors, except Medicaid, workers' compensation and no-fault insurance programs, negotiate hospitals' payment rates. If negotiated rates are not established, payors are billed at hospitals' established charges. Medicaid, workers' compensation and no-fault payors pay hospital rates promulgated by the New York State Department of Health on a prospective basis. Medicaid rate methodologies are subject to approval at the Federal level by the Centers for Medicare and Medicaid Services ("CMS"), which may routinely request information about such methodologies prior to approval. Revenue related to specific rate components that have not been approved by CMS is not recognized until the Medical Center is reasonably assured that such amounts are realizable. Adjustments to the current and prior years' payment rates will continue to be made in future years.

(b) Medicare Reimbursement

The Medicare program currently pays most services at predetermined rates. However, certain services and specified expenses continue to be reimbursed on a reasonable cost basis. Federal regulations provide for certain adjustments to current year payment rates, based on industry-wide and Medical Center-specific data. Regulations require annual retroactive settlements for cost-based reimbursement through cost reports filed by the Medical Center. These retroactive settlements are estimated and recorded in the consolidated financial statements in the year that they occur. The estimated settlements at December 31, 2007 and 2006 could differ from actual settlements based on the results of cost report audits.

The Medical Center established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payors for adjustments to current and prior year payment rates, based on industry-wide and Medical Center-specific data. Such amounts are included in the accompanying consolidated statement of financial position.

During 2007 and 2006, the Medical Center recorded approximately $.4 million and $3.1 million, respectively, of net settlements and adjustments to prior year estimates. These amounts were recorded as an increase in net patient service revenue.

For the years ended December 31, 2007 and 2006, revenue from the Medicare and Medicaid programs (including managed care related revenue) accounted for approximately 86% and 85%, respectively, of the Medical Center's net patient service revenue. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the Medical Center's operations.

There are various proposals at the Federal and state levels that could, among other things, significantly reduce reimbursement rates or modify reimbursement methods. The ultimate outcome of these proposals and other market changes cannot presently be determined.

The current Medicaid, Medicare and other third-party payor programs are based upon extremely complex laws and regulations that are subject to interpretation. Cost reports for the Medical Center serve as the basis for settlement with government payors. Medicare cost reports have been final settled through 2004 with other years remaining open for settlement while New York State cost reports remain open for all years. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. The Medical Center is not aware of any allegations of noncompliance that could have a material adverse effect on the accompanying consolidated financial statements and believes that it is in compliance, in all material respects, with all applicable laws and regulations.

3. Investment at Fair Value and Assets Limited as to Use

The composition of investments at fair value and assets limited as to use is as follows:

December 31,	**2007**	2006
	(in thousands)	
Cash and money market funds	**$ 185**	$ 687
U.S. Treasury bills and notes	**20,665**	20,486
Accrued interest receivable	**90**	79
	20,940	21,252
Less: Current investments at fair value – marketable securities	**(130)**	(124)
Less: Current assets limited as to use	**(11,050)**	(10,926)
Assets limited as to use - noncurrent	**$ 9,760**	$ 10,202

Included within assets limited as to use under bond indenture are assets held by a trustee under the Medical Center's Secured Hospital Revenue Refunding Bonds Series 1998H indenture agreements. As of December 31, 2007 and 2006, the assets are held for the following purposes:

December 31,	**2007**	2006
	(in thousands)	
Capital reserve fund	**$ 11,340**	$ 11,370
Debt service reserve fund	**9,078**	9,385
Rebate fund	**282**	268
Construction and renewal, replacement and depreciation funds	**61**	58
	20,761	21,081
Less: Current portion	**(11,050)**	(10,926)
Assets limited as to use under bond indenture – noncurrent portion	**$ 9,711**	$ 10,155

In addition, during 2006, the Medical Center had established a self-insured trust and there was no funding in 2007 under the malpractice agreement.

4. Property, Buildings and Equipment

Property, buildings and equipment consist of the following:

December 31,	2007	2006
	(in thousands)	
Land	$ 6,075	$ 6,075
Land improvements	1,392	1,392
Leasehold improvements	315	315
Buildings and improvements	91,133	91,090
Movable equipment	94,436	92,070
Fixed equipment	57,082	56,942
	250,433	247,884
Less: Accumulated depreciation and amortization	(169,894)	(156,196)
	80,539	91,688
Construction-in-progress	3,233	2,732
	$ 83,772	$ 94,420

Movable equipment includes gross capitalized leases aggregating approximately $13.0 million and $12.8 million, with $6.1 million and $6.0 million of accumulated amortization at December 31, 2007 and 2006, respectively.

The estimate to complete the construction-in-progress is $750,000.

Substantially all property, buildings and equipment have been pledged as collateral under various debt agreements (see Note 5).

5. Long-Term Debt

Long-term debt is comprised of the following:

December 31,	2007	2006
	(in thousands)	
Series 1998H bonds *(a)*	$110,065	$115,120
Restructuring pool loan *(b)*	813	813
Notes payable *(c)*	2,701	388
Capitalized lease obligations *(c)*	4,759	6,806
	118,338	123,127
Less: Current portion	(9,633)	(8,115)
	$108,705	$115,012

(a) Series 1998H Bonds

In 1998, the Medical Center, through the Dormitory Authority of the State of New York ("DASNY"), issued tax-exempt Secured Hospital Revenue Refunding Bonds, Series 1998H (the "Series 1998H Bonds"). The Series 1998H Bonds have varying maturities and interest rates ranging from 5.0% to 5.2% and are secured by a first mortgage lien on the Medical Center's property, buildings and equipment and substantially all other assets. Additional security is provided through the Secured Hospital Program, a special bond financing program which effectively implements a service agreement between New York State (the "State") and DASNY that calls for the State to make payments, if required, at amounts equal to the principal and interest, subject to annual appropriations made by the State Legislature.

Pursuant to the bond documents and related mortgage agreement, the Medical Center is required to maintain a debt service reserve fund and other funds whose use is limited to debt repayments, capital asset acquisitions and related items. At December 31, 2007, the Medical Center was in compliance with these requirements. The funds consist principally of fixed income securities (see Note 3). The Medical Center is also required to maintain certain financial ratios as well as other covenants. As of December 31, 2007, the Medical Center did not meet its debt service coverage ratio covenant. The Medical Center obtained a waiver from DASNY in which DASNY confirmed that it will not accelerate the loan due on the bonds.

Required principal payments on the Series 1998H Bonds for the next five years consist of:

Year ending	(in thousands)
2008	$ 5,315
2009	5,585
2010	5,870
2011	6,160
2012	6,475
Thereafter	80,660
	$110,065

(b) *Restructuring Pool Loan*

During January 2002, the Medical Center obtained a $4.9 million Restructuring Pool Loan (the "Loan") through DASNY, in conjunction with the New York State Department of Health. The Reimbursement Agreement for the Loan provides for repayment over a 36-month period. The Loan was extended through October 2009 and is unsecured. The Medical Center is not required to pay any interest on the Loan. As of December 31, 2007, approximately $813 remains outstanding on the Loan.

Required principal payments on the Loan are as follows:

Year ending	(in thousands)
2008	$ 63
2009	750
	$813

(c) Notes Payable

Notes payable consist of the following:

December 31,	2007	2006
Note payable to a financing agency, due May 2013, payable in current monthly installments of $5,133, including interest of 4.76%, secured by Energy Conservation Roof Project.	$ 301	$388
Note payable to a financing agency, due June 1, 2008, with the option to extend the maturity date one year. Interest is at 12% per annum; the note is secured by related property.	2,400	-
Total notes payable	2,701	388
Less: Current maturities	2,448	46
Total	$ 253	$342

Notes payable mature as follows:

Year	(In thousands)
2008	$2,448
2009	51
2010	53
2011	56
2012	58
Thereafter	35
Total	$2,701

(d) *Capitalized Lease Obligations*

During 2007 and 2006, the Medical Center capitalized lease obligations aggregating approximately $4.8 million and $6.8 million, respectively. Interest rates related to the capitalized leases are at various rates ranging from 3.0% to 8.6% with payments scheduled through 2013 as follows:

Year ending	Capitalized leases (in thousands)
2008	$2,020
2009	1,562
2010	1,037
2011	396
2012	171
2013	16
	5,202
Less: Imputed interest	(444)
	$4,758

Interest expense under all borrowings for the years ended December 31, 2007 and 2006 aggregated approximately $6.9 million and $6.4 million, respectively. The fair value of the Medical Center's long-term debt approximates its carrying value.

6. Operating Leases

Total rental expense charged to operations for the years ended December 31, 2007 and 2006 aggregated approximately $3.5 million and $4.0 million, respectively.

Future minimum lease payments under noncancellable leases with initial or remaining terms of one year or more at December 31, 2007 consisted of the following:

Year ending	Operating leases
	(in thousands)
2008	$1,582
2009	1,292
2010	801
2011	216
2012	192
	$4,083

7. Pension Benefits

The Medical Center maintains a noncontributory defined contribution pension plan (the "Plan") for substantially all full-time employees meeting certain minimum age and service requirements who are not covered by union-sponsored plans. Contributions to the Plan are based upon percentages of covered employee compensation as determined by the Medical Center's Board of Trustees. At December 31, 2007 and 2006, the Medical Center has recorded in accrued salaries and related liabilities approximately $2.3 million and $2.3 million, respectively. These amounts represent funding obligations for the Plan years 2007 and 2006.

The 2006 Plan contribution was funded in September 2007 and the 2007 Plan contribution is due in September 2008.

Pension expense under the Plan amounted to approximately $2.0 million and $2.9 million for the years ended December 31, 2007 and 2006, respectively.

On June 28, 2007, the Executive Committee of the Medical Center and the Board of Directors of Caritas passed resolutions for the adoption of and participation in the Plan by Caritas for its eligible employees, effective January 1, 2007.

On November 1, 2007, the Board of Directors of the Medical Center approved a resolution which resulted in an amendment to the Plan, effective January 1, 2008. The amendment provided that the Plan cease to be a money purchase pension plan and shall be a profit sharing plan instead. The name of the Plan was changed to "The Savings Plan for Employees of Wyckoff Heights Medical Center". The Medical Center will make discretionary contributions into the Plan each year which shall be determined annually by the Board of Directors, with separate contribution determinations made for each employment classification as specified in the Plan.

Subsequent to year-end, on March 14, 2008, the Medical Center submitted a request for waiver of the minimum funding standard to the IRS for the 2007 Plan year. The request for waiver is pending before the IRS.

Union employees are generally included in the pension and welfare plans of their collective bargaining units. Under these plans, the Medical Center is required to make payments based on contractual amounts. Expenses incurred under these plans were approximately $18.0 million and $17.0 million for the years ended December 31, 2007 and 2006, respectively.

In December 2006, the Medical Center executed a confession of judgment with 1199/SEIU United Healthcare Workers East ("1199"), in connection with $2.6 million of delinquent monthly payments to various 1199 employee benefit funds, as well as

accrued interest and collection fees of approximately $825,000. The monthly funding of the 1199 benefit funds is mandated by the Medical Center's collective bargaining agreements with 1199. Interest accrues at a rate of 1.5% monthly. Monthly principal payments are required as follows: commencing January 2007 through December 2008, monthly installments of $108,617. The principal balance due at December 31, 2007 was $2.3 million.

8. Professional Liabilities Insurance

The Medical Center was self-insured for its primary professional liabilities for the period April 1, 1979 through May 31, 1997. The actuarially determined undiscounted professional liabilities and incidents that have been incurred but not reported ("IBNR") were approximately $9.5 million and $3.7 million at December 31, 2007 and 2006, respectively. The IBNR liabilities at December 31, 2007 and 2006 have been included in the consolidated financial statements at the estimated present value of approximately $7.4 million and $3.4 million, respectively, based on a discount factor of 5.0% and 4.0% in 2007 and 2006, respectively.

For the period from June 1, 1997 to May 31, 1998, the Medical Center purchased primary and excess professional liability insurance from a commercial carrier.

Effective June 1, 1998 through September 17, 2004, the Medical Center purchased occurrence-based primary and multiple layers of excess professional and general liability insurance from commercial insurance carriers and Network Insurance Company Ltd. ("NICL"), an offshore captive insurance company that is a related party. Effective September 18, 2004, the Medical Center began a self-insurance program for its primary layer of professional liability. In 2005, the Medical Center retroactively discontinued its initial layer excess professional liability coverage, provided by NICL, effective September 18, 2004 and assumed this exposure through its self-insurance program.

Professional liability and other claims have been asserted against the Medical Center by various claimants. The claims are in various stages of processing and some have been or may ultimately be brought to trial. There are also known incidents that have occurred that may result in the assertion of additional claims, and other claims may be asserted arising from services provided to patients in the past. It is the opinion of the Medical Center's management, based on prior experience and the advice of legal counsel, that the ultimate resolution of professional liability claims will not significantly affect the Medical Center's consolidated financial position.

The Medical Center records estimated liabilities related to professional liability claims occurring during self-insured periods for asserted and unasserted claims and for claims incurred but not reported. Such estimates are based upon valuations prepared by consulting actuaries and the advice of legal counsel. Actuarial valuations are based upon complex calculations, which utilize factors such as historical claim experience and related industry factors, trending models, estimates for the payment patterns of future claims, and present value discounting factors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Revisions to estimated amounts resulting from actual experience differing from projected expectations are recorded in the period the information becomes known. Estimated undiscounted professional liabilities as of December 31, 2007 and 2006 aggregating approximately $24.2 million and $21 million, respectively, have been recorded in the accompanying consolidated financial statements at the estimated present value (based on a discount factor of 5% and 4%, respectively) of approximately $21.9 million and $17.3 million at December 31, 2007 and 2006.

The Medical Center utilizes a revocable self-insurance trust fund for purposes of funding its self-insurance program.

The Medical Center records liabilities related to professional liability claims, net of expected insurance recoveries, as applicable.

9. Related Organizations

The following balances are due (to) from the Medical Center's related organizations:

December 31,	2007	2006
	(in thousands)	
The New York and Presbyterian Hospital ("NYPH") *(a)*	$(4,632)	$(2,049)
The New York Hospital Medical Center of Queens ("Queens") *(b)*	283	165
Preferred Health Network, Inc. ("PHN") *(c)*	(469)	(469)
Network Recovery Services, Inc. ("NRS") *(d)*	(566)	(590)
The Brooklyn Hospital Center ("TBHC") *(e)*	(261)	(297)
Caritas *(f)*	-	(126)
Garity Post	73	(14)
BQHC *(g)*	(1,706)	-
Due to related organizations, net	$(7,278)	$(3,380)

(a) Amounts due to NYPH at December 31, 2007 and 2006 represent the unpaid balance of amounts owed for the allocation of shared costs, primarily personnel and information systems, incurred by NYPH on behalf of the Medical Center. For the years ended December 31, 2007 and 2006, those costs approximated $3.0 million and $3.6 million, respectively.

(b) The net amounts due from Queens at December 31, 2007 and 2006 represents costs for the podiatric residency program provided by the Medical Center to Queens. Resident costs charged to Queens aggregated approximately $.6 million and $.7 million for the years ended December 31, 2007 and 2006, respectively.

(c) At December 31, 2007 and 2006, the amounts due to PHN represent the unpaid balance of a number of transactions relating to 1997 and prior years, including rent of office space, shared services and severance obligations.

(d) NRS was incorporated for the purpose of serving as a collection agency for System, Inc.'s affiliated institutions. For the years ended December 31, 2007 and 2006, the Medical Center paid NRS approximately $.4 million and $.6 million in fees for collection services.

(e) Amounts due to TBHC represent the net amount due for laboratory services provided by the Medical Center to TBHC and unpaid costs for the pediatric residency program provided by TBHC to the Medical Center. Resident costs charged to the Medical Center aggregated approximately $.8 million and $.8 million in 2007 and 2006, respectively.

(f) Amounts due from (to) Caritas represent the net transactions of funds exchanged with this corporate member of BQHC. As of December 31, 2007, approximately $14 million was due from Caritas. Management of the Medical Center has determined this receivable to be impaired and has reserved 100% of the balance due from Caritas due to the financial condition of Caritas at December 31, 2007.

In addition, the Medical Center is a signatory to a promissory note for the American University of the Caribbean, which has ongoing litigation due to violation of that agreement by Caritas.

(g) The net amount due to BQHC represents the personnel services provided by the Medical Center to the parking lot and a loan in the amount of $1.9 million from BQHC.

During 2007 and 2006, the Medical Center transferred $0 and $.3 million, respectively, to System, Inc. System, Inc. utilized these and other funds to provide additional capital funding to NICL.

10. Other Revenue

Other revenue consists of the following:

Year ended December 31,	2007	2006
	(in thousands)	
Physician billing	$16,260	$14,095
Grants	5,355	2,779
Medical training program	6,721	6,759
Investment income	914	1,018
Other	1,781	2,046
	$31,031	$26,697

11. Concentration of Credit Risk

The Medical Center has a majority of its cash, cash equivalents and investments deposited or held by a New York financial institution at December 31, 2007 and 2006 and amounts deposited exceed Federal depository insurance limits.

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under various third-party arrangements. Significant concentrations of net patient accounts receivable from patients and third-party payors are as follows:

December 31,	2007	2006
Medicare	21.58%	19.25%
Medicaid	23.67	24.00
Commercial and other payors	54.45	39.05
Self-pay	.30	17.70

No individual self-pay or commercial payor exceeded 10.0% of the total receivables.

12. Commitments and Contingencies

At December 31, 2007, approximately 70% of the Medical Center's employees were covered by collective bargaining agreements. The Local 210 and SSOBA union contracts are up for renewal on August 14, 2008 and September 30, 2008, respectively.

From time to time, the Medical Center is involved in pending and threatened litigation in the normal course of business which claims for monetary damages are asserted. In the opinion of management, the ultimate liability, if any, arising from such pending and threatened litigation is not expected to have a material effect on the consolidated financial position, results of operations, or cash flows of the Medical Center.